

South Central Connecticut Regional Water Authority
90 Sargent Drive, New Haven, Connecticut 06511-5966 203-562-4020
<http://www.rwater.com>

Testimony to the Planning and Development Committee
March 18, 2013

**SB-964 ACT CONCERNING THE SOUTH CENTRAL CONNECTICUT REGIONAL
WATER AUTHORITY AND CONCERNING THE SALE OF WATER TO COMMUNITY
WATER SYSTEMS**

The South Central Connecticut Regional Water Authority (RWA) is a non-profit, public corporation and political subdivision of the state. RWA was chartered under Special Act 77-98. That charter has been amended seven times for various reasons and most recently in 2003. RWA's mission is to provide its customers with high quality water at a reasonable cost while promoting the preservation of watershed land and aquifers. We provide public water service to some 430,000 consumers and have 20 member towns in our water district. The source of this water is a system of watershed and aquifer areas that cover about 120 square miles within 24 municipalities. Much of our 27,000 acres of land is managed for watershed protection, timber resource conservation, wildlife habitat, open space, education, and research.

Thank you for the opportunity to provide testimony in support of Raised Bill 964, **An ACT CONCERNING THE SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY AND CONCERNING THE SALE OF WATER TO COMMUNITY WATER SYSTEMS**

As a result of reduced demand since 1999 caused by more efficient water using appliances, the long-lasting weakened economy, a loss of industrial and commercial customers and other factors that are placing upward pressure on water rates, the following proposed charter changes will enable the RWA to become more efficient from an operating standpoint, and as a result our rate-payers will benefit.

Sections 1, 2 & 6 – To Expand RWA's ability to provide revenue through non-utility water- or environmental-related revenue opportunities.

These changes would benefit our customers by off-setting our periodic rate increases by allowing the RWA to generate additional revenue through non-utility water- or environmental-related business activities. If enacted, RWA will be able to conduct these activities within or outside the district. The total investment will not exceed 5% of the RWA's net utility plant devoted to water supply, distribution and treatment. The earnings from these non-utility operations will reduce periodic increases in customer water rates by offsetting a portion on a dollar for dollar basis.

Examples of non-utility water- or environmental-related investments could be meter testing or hydrant maintenance for other water utilities; purchasing a specialty water treatment chemical business or a packaged water treatment system manufacturer; or, investing in alternative energy projects, which would help us support the Governor's Energy Strategy.

Sections 3 & 4 – Allows RWA to take advantage of state purchasing contracts and change public notice requirements. The change in section 4 would expand RWA's ability to procure goods and services by being able to participate in contracts in which the State of Connecticut is authorized to take part in, including those with other state or federal government entities.

This would allow the RWA to be more efficient because the bidding process requires monetary and personnel resources. Also, by utilizing state or federal contracts, competitiveness in pricing will take place and this will help eliminate single sources. Thus, reducing RWA's cost of doing business and thereby offset a part of future water rate increases. Additionally, both sections 3 & 4 would allow RWA to provide public notice in electronic media and on the RWA's web site.

Section 5 – Adjusts the tallying process when a vacant RPB seat exists - This changes how the total number of Representative Policy Board, (RPB) votes is tallied when a RPB member's seat is vacant. A vacancy occurs when a member is no longer able to serve due to moving out of the district or choosing not to be reappointed and the town has not yet approved a successor.

This change would eliminate vacancies from calculations of RPB voting requirements when a super-majority is required. It will not impact the number of weighted votes each member town is allowed in the Charter. The weighted vote of each member town in RWA's district would continue to be determined based on a formula that takes into account the number of customers and number of acres of land owned by the Authority within the city or town.

Section 7 – Bond Refinancing - Clarifies that the Authority Board can approve the refinancing of existing bonds without RPB approval. This change would apply to the refinancing of existing bonds and not for new money. The existing bonds have already been reviewed and approved by the Authority and the RPB. The change is also consistent with the streamlined refinancing process permitted for municipal entities under State statute. Lastly, refinancing can lower debt service costs which helps reduce water rates, and will benefit rate-payers.

Section 8 – Issuance of Notes - This change would permit the Authority to extend the time the RWA can issue notes from five to eight years. By doing so, this would provide parity with municipalities' issuance capabilities; it would permit RWA to obtain lower cost short-term interest rate financing until such time as it is converted to permanent long-term debt. Overall, both changes would reduce interest expenses and save customers money.

Section 9 – Sale of Dwellings – In 2003, the Legislature enacted legislation (SA 03-12) that permitted RWA to sell existing houses & barn on its Class I or II land, but sunset October 1, 2008. The proposed change to our charter would remove the sunset provision. All other provisions and restrictions in the 2003 legislation would remain. However, removing the sunset provision would allow time for the real estate market to rebound and give RWA time to ramp up for disposition. The sale of the 14 structures would assist the Authority's efforts to reduce maintenance & liability costs; and the net proceeds will be used to purchase additional public water supply lands to protect our reservoirs and aquifers.

Section 10 - Adjustments to RPB member compensation. RPB compensation has not been adjusted in ten years when it was increased from \$50 per 'duty day' to \$100. A 'duty day' is the time a member spends preparing for and attending to Authority-related business matters (meetings, hearings, etc.). The RWA business has become more complex, requiring additional time to analyze, understand and make decisions.

The proposed periodic adjustments would take place on January 1, 2015 and only every fifth year thereafter to reflect changes in the consumer price index. If this change is allowed in the legislation, it would provide for only two pay increases over a decade, equal to the latest CPI index.

Lastly, we believe that the title of S.B. 964 will need to be changed to reflect that this bill is exclusive for South Central Connecticut Regional Water Authority Charter changes. We request that the words, "and Concerning the Sale of Water to Community Water Systems" be removed. Also, we have forwarded a memo to the Chairs of the Planning and Development Committee that identifies two other technical changes which need to be addressed.

Thank you again for the opportunity to provide this testimony **in support of S.B. 964.** If you need further information or have any questions, I can be reached at 203-401-6720.

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